

**Report of the U.S. Securities and Exchange Commission (“SEC”) to the  
U.S. Agency for International Development (“USAID”)  
Concerning Technical Assistance to USAID Cooperating Countries  
Interagency Agreement (“IAA”) Between USAID and the SEC  
for the Quarter Ending December 31, 2004**

**I. Technical Assistance under the Global Agreement – Global B**

**Program Title:** Technical Assistance and Training through SEC – Phase II  
**Strategic Obj. Title and No:** 933 – 08 Open, Competitive Economies Promoted  
**Appropriation Symbol:** 723/41021      **Fund Code:** DV03/04  
**A&A Request Number:** 12015/577      **Initial FY:** 2003  
**Completion Date:** Sept. 30, 2008  
**Annex B-1, EGAT/OEG**

The Securities and Exchange Commission (SEC) provides technical assistance to USAID Cooperating Countries pursuant to an Interagency Agreement (IAA) with the U.S. Agency for International Development (USAID) dated July 18, 2003. This report describes the SEC's activities under the IAA for the quarter ending December 31, 2004.

**A. NIS/CEE ACTIVITIES**

**NIS/CEE Disclosure and Corporate Governance Conference (Oct 4 – 7, 2004)**

This program took place in Zagreb, Croatia, with the Financial Services Volunteer Corps and the Croatian Securities and Exchange Commission acting as cosponsors. SEC staff delivering the program included Robert D. Strahota, Assistant Director of the SEC's Office of International Affairs (OIA), and Clivette Jones, Program Analyst, OIA. In addition to SEC staff, the SEC funded the travel expenses of Geoffrey Mazullo, a corporate governance speaker from East-West Management Institute, Inc. in Budapest. A complete list of speakers and topics covered is included in the program agenda, attached to this report as Appendix A.

The program was attended by 39 participants from 14 different countries. The SEC used its funding under the IAA to pay for a portion of the conference expenses, including hotel and per diem expenses for participants from CEE countries other than PFS countries, and hotel expenses for participants from PFS countries. The list of participants is attached to this report as Appendix B. A complete copy of the program materials has been provided to USAID.

**Russia**

Robert Strahota traveled to Moscow during the week of November 7–13, 2004 to: (i) participate in the OECD Russian Corporate Governance Roundtable where he made a presentation on the status of development of international financial reporting standards in the United States; ((ii)

chair and make a presentation on a panel on self-regulation at the Sixth Annual Institute for Stock Market Management Conference; (iii) make a presentation on recent US corporate governance developments under the Sarbanes Oxley Act at a program sponsored by the US – Russia Business Forum, Center for Business Ethics and Corporate Governance, Independent Directors Assoc., MICEX and NAUFOR; and (iv) meet and discuss potential technical assistance and training needs with Oleg Vyugin, Chairman of the new Federal Financial Markets Service (FFMS). Mr. Strahota was accompanied at the FFMS meeting by Tom Lanier, Treasury Attache, and Pamela Quanrud, Minister Counselor for Economic Affairs at the US Embassy. Mr. Strahota’s travel expenses were charged to the IAA; however, not time was charged.

## **B. REIMBURSABLE SEC STAFF TIME AND EXPENSES**

The following SEC staff members rendered reimbursable assistance during the period:

Robert Strahota, Assistant Director, SEC, OIA	55
Clivette Jones, Program Analyst, SEC OIA	<u>55</u>
<b>Total</b>	<b>110 hrs</b>

Based upon the composite hourly rate established under the IAA, the SEC’s reimbursable time charges incurred during the period were \$9,964. Other direct, overseas travel and consultant expenditures were \$19,066, resulting in G&A expenditures of \$4,344. Participant training expenditures for the period totaled \$20,142. Accordingly, the SEC will submit a claim for reimbursement of **\$53,466** for technical assistance activities under the “Global B” IAA for the quarter ending December 31, 2004 (please refer to financial appendices I. Summary Financial Report, and I. Country Subtotals for additional details).

## **II. Technical Assistance under the Global Agreement – Global A Annex B – 1, EGAT/OEG**

<b>Project Name:</b> SEGIR – Financial Sector Component – Technical Assistance and Training through SEC – Phase II	<b>Organization Symbol:</b> EGAT/EG
<b>Request ID:</b> 12015/394	<b>Obligation Number:</b> ECG-P-00-97-00002
<b>Funds/Allotment Symbol:</b>	Phoenix: DV 97/98-DDV797
<b>Activity:</b> SEGIR-936-4212	<b>Completion Date:</b> Sept. 30, 2004

The Securities and Exchange Commission (SEC) provides technical assistance to USAID Cooperating Countries pursuant to an Interagency Agreement (IAA) with the U.S. Agency for International Development (USAID) dated April 21, 2003. This report describes the SEC's activities under the IAA for the quarter ending December 31, 2004.

As this agreement expired on September 30, 2004, no new funds have been obligated, the only activity under this agreement during this reporting period consists of final expenditures of funds obligated prior to September 30, 2004.

### **REIMBURSABLE EXPENSES**

During the period, invoices were paid for the translation of training materials and consultant expenses for technical assistance activities previously obligated under the “Global A” IAA. Other direct costs and consultant expenditures totaled \$15,317, resulting in G&A expenditures of \$2,297. Accordingly, the SEC will submit a claim for reimbursement of **\$17,614** for technical assistance activities under Annex B-1 of “Global A” IAA for the quarter ending December 31, 2004 (please refer to financial appendices II. Summary Financial Report, and II. Country Subtotals for additional details).

### **III. Technical Assistance to Central and Eastern Europe (CEE)–Global A Annex B – 2; CEE Regional Funds; Project No. 180-0014**

<b>Project Name:</b> SEGIR – Financial Sector Component – Technical Assistance and Training through SEC – Phase II	<b>Organization Symbol:</b> EGAT/EG
<b>Request ID:</b> 12015/394	<b>Obligation Number:</b> ECG-P-00-97-00002
<b>Funds/Allotment Symbol:</b>	Phoenix: DV 97/98-DDV797
<b>Activity:</b> SEGIR-936-4212	<b>Completion Date:</b> Sept. 30, 2004

Pursuant to an Inter-Agency Agreement (IAA) between USAID and the SEC, as amended, USAID has obligated funds to the SEC for securities-related technical assistance to the NIS (the “NIS Program”) and CEE countries (the “CEE Program”). This report describes the activities of the SEC under these programs for the quarter ending December 31, 2004.

As this agreement expired on September 30, 2004, no new funds have been committed, and there were no expenditures of previously obligated funds during the quarter.

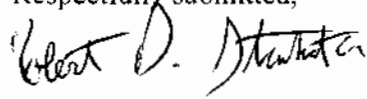
### **IV. Technical Assistance to Bulgaria – Global A Annex B-3; Bulgaria Bilateral Funds**

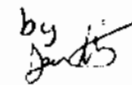
<b>Project Name:</b> SEGIR – Financial Sector Component – Technical Assistance and Training through SEC – Phase II	<b>Organization Symbol:</b> EGAT/EG
<b>Request ID:</b> 12015/394	<b>Obligation Number:</b> ECG-P-00-97-00002
<b>Funds/Allotment Symbol:</b>	Phoenix: DV 97/98-DDV797
<b>Activity:</b> SEGIR-936-4212	<b>Completion Date:</b> Sept. 30, 2004

Pursuant to an Inter-Agency Agreement (IAA) between USAID and the SEC, as amended, USAID has obligated funds to the SEC for securities-related technical assistance to Bulgaria.

As this agreement expired on September 30, 2004, no new funds have been committed, and there were no final expenditures of previously obligated funds during the period ending December 31, 2004. \*\*\*\*\*

Respectfully submitted,



by 

Robert D. Strahota  
Assistant Director  
SEC Office of International Affairs

Financial Report ("Global B" Annex B 1 and "Global A" Annexes B-1, B-2, and B-3)  
Appendices A & B

**2004 NIS/CEE DISCLOSURE AND  
CORPORATE GOVERNANCE CONFERENCE**

**Sponsored by**

**CROATIAN SECURITIES AND EXCHANGE COMMISSION  
U.S. SECURITIES AND EXCHANGE COMMISSION  
FINANCIAL SERVICES VOLUNTEER CORPS  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**Hotel Opera Zagreb  
Zagreb, Croatia**

**October 4–7, 2004**

**List of Speakers**

Edita Culinovic Herc, Ph.D, Assistant Professor, Law Faculty, University of Rijeka  
Michael Dlouhy, Partner, White & Case, LLP, Prague  
Vladmir Filipovic  
Josip Galinec, Consultant, TO ONE, Zagreb  
Andrej Galogaza, General Counsel, Zagreb Stock Exchange  
William Jeffers, Mission Director, USAID, Zagreb  
Clivette Jones, Program Analyst, SEC Office of International Affairs  
Melita Versic Marusic, Attorney at Law in cooperation with Wolf Theiss, Vienna  
Leslie Matthews, Corporate Governance Instructor, Zagreb School of Economics and Management  
Geoffrey Mazullo, Director, Partners for Financial Stability (PFS) Program, East-West Management Institute  
Boris Palienko, Accounting Consultant, Financial Markets International, Inc. Ukraine  
Marinko Papuga, General Manager, Zagreb Stock Exchange  
Melita Marceta Racanovic, Managing Director, Varazdin Stock Exchange  
Christopher S. Schell, Associate, Davis Polk & Wardwell, New York  
Velimir Sonje, Arhivanalitika Consulting, Zagreb  
Robert D. Strahota, Assistant Director, SEC Office of International Affairs  
Ivo Sulenta, Deputy President, CROSEC  
Libor Weiser, Listing Manager, Varazdin Stock Exchange

**Monday, October 4**

**8:30 Registration**

**9:00 Welcome, introductions and opening remarks**

CROSEC, FSVC and USAID representatives

**9:20 Program overview and objectives**

Speaker: Mr. Strahota

**9:30 Comparison of EU, US and Croatian requirements for an initial public offering or listing**

Speakers: Messrs. Dlouhy, Schell, and Weiser

**10:45 Break**

**11:15 Comparison of EU, US and Croatian non-financial disclosure requirements for a prospectus or listing particulars document**

Speakers: Messrs. Dlouhy, Strahota, Sulenta and Weiser

**12:15 Lunch Break**

**Monday, October 4 - continued**

**1:30 Comparison of EU, US and Croatian financial disclosure requirements for a prospectus or listing particulars document**

Speakers: Messrs. Palienko and Strahota

**3:00 Break**

**3:15 Preparing a company for public ownership; the roles of management, the investment bankers, lawyers and independent accountants**

Moderator: Mr. Strahota

Speakers: Ms. Versic Marusic and Messrs Dlouhy, Filipovic, Galinec and Schell

**6:00 Opening reception**

**Tuesday, October 5**

**9:00 Overview of US SEC, organization of Division of Corporation Finance and Conduct Rules**

Speakers: Ms. Jones and Mr. Strahota

**10:00 Risk factors disclosure**

Speaker: Messrs Schell and Strahota

**10:45 Break**

**11:00 Management's discussion and analysis (MD&A) – Case Problem**

Speaker: Messrs. Dlouhy and Strahota

**12:00 Lunch Break**

**1:15 Detection, investigation and prosecution of financial fraud – Case Problem**

Speakers: Messrs. Palienko, Sulenta and Strahota

**3:15 Break**

**3:30 Selected offering problems: underwriting arrangements and compensation, directed shares; lock -ups, problems relating to best efforts underwriting; hypotheticals; sell-side analysts and credit rating agencies**

Speakers: Messrs. Dlouhy, Schell and Strahota

**Tuesday, October 5 - continued**

**4:45 Investor Protection, Financial Development and Economic Growth: The Importance of the OECD Principles of Corporate Governance: 2004 Changes**

Speaker: Mr. Sonje

**Wednesday, October 6**

**9:00 Corporate governance and shareholder rights in NIS/CEE countries**

Speaker: Mr. Mazullo

**10:45 Break**

**11:00 Corporate governance and shareholder rights in NIS/CEE countries—continued**

Speaker: Ms. Matthews with commentary from Messrs. Mr. Schell and Strahota

**12:15 Lunch Break**

**1:30 Discussion of regional disclosure, financial reporting and corporate governance problems**

Prior to coming to the program, representatives from each organization of each country attending the program will be required to prepare and submit to the US SEC a one-page case study relating to a disclosure, financial reporting or corporate governance problem that has occurred in their country. The case studies will be distributed to participants in advance of the session so that they will have an opportunity to read them and prepare for discussion. The representatives will present their case studies at this session, including how they solved or would propose to solve the problem. Other country delegates and speakers will then ask questions and comment on each presentation, including discussion of possible alternative solutions. There will be one, 30-minute coffee break.

**Thursday, October 7**

**9:00 Comparison of EU, US and Croatian disclosure requirements for annual and other periodic reports, including recent US changes as a result of the Sarbanes-Oxley Act of 2002**

Speakers: Messrs. Strahota, Palienko and Papuga

**10:30 Break**



**Thursday, October 7 - continued**

**10:45 Comparison of EU, US and Croatian disclosure requirements regarding beneficial ownership, takeover bids, mergers and acquisitions, and other potential change in control transactions**

Speaker: Mr. Strahota and Professor Culinovic Herc with commentary from Mr. Schell

**12:15 Lunch Break**

**1:30 Timely Disclosure of Material, Price Sensitive Information: A comparison of EU, US, Croatian and IOSCO provisions regarding insider dealing and market manipulation**

Speakers: Mr. Galogaza, Ms. Racanovic, Ms. Jones and Professor Culinovic Herc

**3:15 Break**

**3:30 Insider Trading: How to investigate and prosecute an insider trading case – Case Problem**

Speakers: Mr. Strahota

**4:45 Closing Remarks and Presentation of Certificates**

Messrs. Sulenta and Strahota

**2004 NIS/CEE DISCLOSURE AND CORPORATE  
GOVERNANCE CONFERENCE  
October 4 – 7, 2004**

**LIST OF MATERIALS<sup>1</sup>**

- A.
1. \*Form 20-F under the Securities Exchange Act of 1934(Exchange Act)
  2. \*SEC Regulation S-K, Items 501, 502, 503 and 601 only
  3. \*Form F-1 under the Securities Act of 1933
  - 4A. \*Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC
  - 4B. European Commission Regulation No. 809/2004 of April 29, 2004 implementing Directive 2003/71/EC
  5. \*Accounting and Auditing prepared by the SEC Office of Chief Accountant for the 2004 SEC International Institute for Securities Market Development, April 19-29, 2004
  6. \*Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence, Statement of the Technical Committee of IOSCO (October 2002)
  7. \*Principles for Auditor Oversight, Statement of the Technical Committee of IOSCO (October 2002)
  8. \*Edita Culinovic Herc PhD, “Impact Of Prospectus Directive On Croatian Capital Market Act”
  9. \*Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending EU Directives ---- on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings
  10. \*Boris Palienko, “Financial Disclosure: From accounting directives to the common reporting framework”

<sup>1</sup> Some of the above materials were prepared by the staff of the SEC and other speakers and organizations. The views expressed in these materials are those of the respective authors and do not necessarily reflect the views of the SEC, individual SEC commissioners or others on the staff of the SEC.

- B.
  - 11. SEC Organization Chart
  - 12. Division of Corporation Finance Organization Chart
  - 13. The U.S. Securities and Exchange Commission: Organization and Operation
  - 14. William Lenox, “Outline of Rules of Ethics for Employees and Officials of A Securities Regulatory Agency
  - 15. \*General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations, Report of the Technical Committee of IOSCO (February 2003)
  - 16. David Estabrook and Michael Lim, SEC Division of Enforcement, “Investigating Financial Fraud” (Nov. 5, 2002)
  - 17. \*Boris Palienko, “Fraudulent Financial Reporting: Ways to interpret and detect the warning signals”
  - 18A. National Association of Securities Dealers Free-riding and Withholding Rule and Securities Exchange Act of 1934 ("Exchange Act") Rules 10b-9 and 15c2-4
  - 18B. NASD Corporate Financing Rule
  - 19. IOSCO Statement of Principles Regarding the Activities of Credit Rating Agencies, Statement of the IOSCO Technical Committee (September 2003)
  - 20. IOSCO Statement of Principles for Addressing Sell-Side Analyst Conflicts of Interest, Statement of the Technical Committee of IOSCO (September 2003)
  - 21. \*OECD Principles of Corporate Governance (May 2004)
- C. [Mazullo-Matthews materials]
- D.
  - 22. Form 10-Q Quarterly Report
  - 23. Form 8-K Current Report
  - 24. \*SEC Regulation M-A (Items 1001-1016 of Regulation S-K)
  - 25. Article 11 of SEC Accounting Regulation S-X
  - 26A. \*Exchange Act Rule 13d-3 (definition of beneficial ownership)
  - 26B. \*Schedule 13D (statement of beneficial ownership)

- 26C. \*Schedule G (statement of beneficial ownership)
- 26D. \*Schedule TO (tender offer statement)
- 26E. \*Schedule 14d-9 (solicitation/recommendation statement)
- 27. \*Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids
- 28. Robert D. Strahota, “Timely Disclosure of Material Information: Law and Expectations in the U.S. Marketplace”
- 29. \*IOSCO Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities, Statement of the Technical Committee of IOSCO (October 2002)
- 30. SEC Regulation FD
- 31. Proposal dated 26, March 2003 for a Directive of the European Parliament and of the Council on the harmonization of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC
- 32A. \*Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse)
- 32B-E. Three Directives and one Regulation implementing Directive 2003/6.
- 33. \*L. Hilton Foster, SEC Division of Enforcement, “Insider Trading Investigations”

### **SAMPLE DISCLOSURE DOCUMENTS**

\*Zentiva Prospectus dated June 23, 2004

General Electric Annual Report on Form 10-K for the year ended 12/31/03

General Electric Quarterly Report on Form 10-Q for the quarter ended 6/30/04

General Electric 2004 Annual Meeting Proxy Statement

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**NIS/CEE Disclosure and Corporate Governance Conference  
Zagreb, Croatia (October 4 – 7, 2004)  
List of Participants**

	<b>Names</b>	<b>Title</b>	<b>Organization Name</b>	<b>Country</b>
1.	Hasan Celam	President	Securities Commission	Bosnia & Herzegovina
2.	Nebojsa (Zoran) Vukovic	Listing, trading and surveillance department	Banja Luka Stock Exchange	Bosnia & Herzegovina
3.	Biljana Jovetic-Busnoska	Professional Advisor	Srpska Securities Commission	Bosnia & Herzegovina
4.	Vladislava Raykova Petrova	Head of Legal Regulation Department	Financial Supervision Commission	Bulgaria
5.	Liene Dubava	Senior Issuer Relations Specialist	Riga Stock Exchange	Latvia
6.	Lina Sajyte	Chief Specialist	Lithuania Securities Commission	Lithuania
7.	Stevan Sapceski	Chief Executive Officer	Central Securities Depository Ad Skopje	Macedonia
8.	Kiril Mitrovski	President of the Board	Central Securities Depository Ad Skopje	Macedonia
9.	Dimitar Dimitrovski	Head of Legal Department	Ministry of Economy of the Republic of Macedonia	Macedonia
10.	Zorica Semenкова	Officer	Securities and Exchange Commission	Macedonia
11.	Pawel Wieliczko	Expert	Polish Securities and Exchange Commission	Poland
12.	Mirosław Jezowski	Expert	Polish Securities and Exchange Commission	Poland
13.	Robert Cosmin Pana	Legal Advisor	Bucharest Stock Exchange	Romania
14.	Ciprian Copariu	Director	National Securities Commission	Romania
15.	Catalina Iordan	Regulated Market Specialist	National Securities Commission	Romania
16.	Elena Avakyan	Chief Executive Officer	NAUFOR	Russia
17.	Marijan Terzic	Associate	Montenegro Securities Commission	Serbia & Montenegro
18.	Dejana Suskavcevic	Chief Executive	Montenegro Stock	Serbia &

	<b>Names</b>	<b>Title</b>	<b>Organization Name</b>	<b>Country</b>
	M.A.	Officer	Exchange	Montenegro
19.	Ivana Gogic	Listing & Surveillance Officer	NEX Montenegro	Serbia & Montenegro
20.	Jana Ferencikova	Supervisor on Capital Market Section	Financial Market Authority	Slovakia
21.	Andreja Salehar	Adviser	Securities Market Agency	Slovenia
22.	Tomaz Klemenc	Director, Listing	Ljubljana Stock Exchange	Slovenia
23.	Kopyl Oleksiy	Chief Specialist of Financial Services Markets Strategic Development Unit	State Commission of Ukraine for Regulation of Financial Services Markets	Ukraine
24.	Ms. Yevgeniya Ladogubets	Chief Specialist of the Accounting and Reporting	State Commission of Ukraine for Regulation of Financial Services Markets	Ukraine
25.	Mr. Vladyslav Stafiyuchuk.	Chief Specialist of the Legal Division	State Commission of Ukraine for Regulation of Financial Services Markets	Ukraine
26.	Kata Rukavina		Croatian Privatization Fund	Croatia
27.	Ines Sekulic		Podovaka	Croatia
28.	Zrinka Solic		Croatian Audit Office	Croatia
29.	Ante Gasparovic		Croatian Postal Bank	Croatia
30.	Ruzica Fijacko		Croatian Securities and Exchange Commission (CROSEC)	Croatia
31.	Duridica Mihotic Tirzic		CROSEC	Croatia

	<b>Names</b>	<b>Title</b>	<b>Organization Name</b>	<b>Country</b>
32.	Senada Diirmgl		CROSEC	Croatia
33.	Tatyana Kovac Klemar		CROSEC	Croatia
34.	Andreja Hascek		CROSEC	Croatia
35.	Ivo Sulenta	Deputy Chairman	CROSEC	Croatia
36.	Miljenko Ficor		CROSEC	Croatia
37.	Nada Merkas		CROSEC	Croatia
38.	Radmila Nizetic		Croatian Money Market	Croatia
39.	Mlodenka Glamuzina		CROSEC	Croatia